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ABSTRACT

A complete assessment of the impact of community colleges should not only focus on primary college missions, but also on the economic impact of the colleges on their local communities and the state. In calculating the economic impact of the community colleges of the State University of New York (SUNY), three assumptions should be made: (1) expenditures by the colleges and their members and revenues and services generated by the colleges' presence have a significant impact on the local economy; (2) in most cases, SUNY community colleges that conducted formal impact studies (less than 50% of the schools) found that they had an annual positive economic impact that approximated their annual budget; and (3) statewide economic impact is impossible to measure since most dollars spent in conjunction with college operations originate and remain in state. An individual college seeking to determine its economic impact should systematically estimate the financial transactions of the college itself and its faculty, staff, and students. The most basic of these estimates are first-round impact measures. In the public sector, these should take into account government funds and services, monies charged back to other counties, and taxes paid by the college and its constituents. In the private sector, data should be collected on the direct expenditures of the college and its members. Estimates should also be made of the secondary impact of college expenditures with respect to employment opportunities, secondary demand for goods and services, and additional taxes paid by businesses and their employees. Impact studies provide evidence for taxpayers and legislators to justify investment in community colleges. (HB)

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The Economic Impact of SUNY Community Colleges

VC 820 520

Analysis Paper No. 823
State University of New York
Office for Community Colleges
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The Economic Impact of SUNY Community Colleges

Intro:

Most often wher we view the impact of community colleges, we do so in terms of their principal missions exclusively. Community colleges are viewed as being engaged in providing education for their students and participating in certain community services. The primary role of SUNY's community colleges is clearly emphasized in the statement of mission in Democracy's Colleges, which reads: "in addition to providing occupational programs which lead directly to a career and providing the first two years of a baccalaureate education, they shall serve statewide and local interests with general studies, adult (continuing) education and developmental studies to meet individual needs. The colleges shall provide extra attention in the areas of counseling, tutoring and placement. Furthermore, the colleges shall engage in community activities such as workshops, seminars, community forums and opportunities in cultural enrichment."

While the impact of community colleges on individuals and whole communities may be assessed with exclusive reference to their primary missions, such assessments are likely to provide incomplete results. For example, in the course of fulfilling their primary missions, SUNY's community colleges assume a startling diverse number of roles. They draw upon a variety of resources from the State, local and Federal governments and neighboring communities and make an equally diverse array of benefits to their constituents.

To elaborate, we can look at the community college as an employer, a consumer, an investor, a lender, a borrower, a tenant and, at times, a landlord. The faculty and staff receive salaries and then pay their Federal, State and local taxes, buy a variety of goods and services, purchase homes, cars and even save some money in local banks. Conversely, they also generate a demand for and consume a wide range of municipal services and send their children to public schools in the communities they live in.

The students who attend community colleges also have a significant impact on the community, an impact that goes far beyond attending classes and reading books. They also consume a whole assortment of goods and services similar to those consumed by faculty and staff, and perhaps not in much different proportions than the college employees, since the average age of community college students is about thirty.

The point to be made is that SUNY community colleges are responsible for a wide assortment of economic activities in New York State. They have a massive economic impact. They were responsible for expenditures totaling more than $320 million in 1980-81, a lion's share of which went toward Personnel Services, Employee Benefits and Contractual Expenses. The significance of these expenditures is fully evident only when we track the flow of these funds through the economies of the communities surrounding the colleges. Stated differently, if these colleges did not exist, the dimensions of the flow of funds would be drastically altered. A large number of the expenditures seen in the $320

million would be eliminated and many others would be sharply curtailed. Obviously, some percentage of the total (some sponsor support and tuition) would remain in the area, circulating and causing positive impact.

As one calculates the economic impact of SUNY community colleges, three assumptions must be made:

1. There is a major impact on sponsorship areas (usually counties) and surrounding communities based upon State dollars, recirculated dollars from all sources, federal aid, tuition and chargebacks from other counties and the like.

2. More than half of the SUNY community colleges have not conducted formal economic impact studies of their sponsorship and surrounding areas and those that have used varying and valid assessment methods. It is clear, however, that more and more institutions are interested in pursuing such analyses. Until the mid-1970's very few colleges had conducted studies, but since that time nearly a dozen have completed reports, with several others expressing an interest to do so soon, as staff time is available.

   Studies have been done by both outside consultants (Ex: Onondaga and Genesee) and by the colleges' own faculty (Broome, Tompkins Cortland and Mohawk Valley). Most studies draw upon the work of John Caffrey and Herbert H. Isaacs, Estimating the Impact of a College or University on the Local Economy, published in 1971 for the American Council on Education. The ACE model has the advantage of being a practical guide to measuring the negative as well as the positive impact of a college on the economy. Although the complete ACE model seems better designed to measure the impact of a large university on a town, community colleges find it easy to modify for their purposes.

   No matter what methods or personnel are used by SUNY community colleges to assess economic impact, the results appear to be similar--in most cases a community college has an annual positive impact of about the same number of dollars as its budget. This phenomenon should certainly not be viewed as a rule, since there are exceptions, and it is well known that sponsoring counties differ. For instance, a college in an industrial region would be able to purchase most of its equipment and supplies locally, while a college in rural area might have to purchase such goods outside of the sponsorship area. Also, a college with a relatively high percentage of students from outside the sponsorship area (because of unique programs or the proximity of the college to populous counties without community colleges) would be attracting more dollars in tuition and other student-related financial dealings than a college with a lower percentage of out-of-county students. So, even though Genesee Community College calculated a $6 million impact during a year in which its operating budget was about $5 million and Broome Community College figured a $10.7 million impact during a year when the college budget was about $9 million, we cannot conclude that the thirty community colleges collectively created a $320 million (total 1980-81 operating budget) on the combined sponsorship areas. Instead, careful analysis of appropriate local data is necessary to conduct a true and believable report on economic impact.

3. Statewide economic impact of these institutions is impossible to measure, as most dollars spent in conjunction with college operations originate in state and stay here. Although some Federal tax and out-of-state tuition dollars flow to positive purposes, the impact is not very significant when compared to the impact of the total flow of funds. With the exception of relatively few Federal grants and miniscule out-of-state tuition payments, about 95 percent of most colleges' operating funds originate in state and stay here. Since State aid, local sponsor support, chargeback payments, and in-state student tuition make up the major portion of college revenues, we cannot argue that the colleges impact the State's economy in typical measurement. It ought to be clear, at the same time, that these institutions graduate a significant portion of the State's labor force, employ thousands of citizens and pay for services from the private sector. So the point is that new dollars are not necessarily drawn to the State because of the existence of the colleges. But should the college not exist, thousands of lives of New York residents would be adversely affected and the circulation of meaningful dollars would be curtailed.

Returning to our first assumption, that the colleges have a large economic impact, what are some of the general economic activities to consider when determing this impact? In other words, what do we count negatively, and what do we count positively?

The economic impact of a community college on its host area (usually the sponsorship area) is determined through systematically estimating the financial transactions made by members of the college. The "members" include the college itself, the faculty, staff, and students.

At the outset, total economic impact is disaggregated into its components in the public and private sectors. The most basic of all estimates are the measures of "first-round impact" in both public and private sectors.

The presence of a community college results in several transactions of public funds in its host county (counties). The State, Federal and local governments appropriate funds for the operation of the college and provide it certain tax exemptions under the law. The local government also makes arrangements to provide certain services (public transportation, for example) to the constituents of the college. While these can be regarded as expenditures borne by the governments on behalf of the college, there are also several categories of inflow of funds that are seen solely due to the presence of the college. Monies charged back to other counties for educating out-of-county students, property taxes, sales taxes, gasoline taxes, etc. available to the county through mechanisms such as revenue sharing represent some of the important categories of revenue to local governments. The college and its members consume other public and municipal services: street lighting, snow removal, public safety services, public schools, etc. are some examples. Expenditures that can be attributed to such services are compared with the appropriate share of taxes (such as school taxes) paid by the college and its constituents. The examples are not exhaustive, but they point toward the creation of a current public sector balance sheet for a college.

The impact of a community college on the private sector of the host area and neighboring counties can be determined in a similar fashion. The major elements of private sector components are the expenditures made directly by the college and its "members." In the case of the college, we may determine expenditures made in the local community for supplies, machinery, equipment rentals and other recurring and nonrecurring items. The expenditures of faculty, staff, administrators and students in the private sector, determined through questionnaires administered on each campus, fall into categories such a food, clothing, shelter, consumer services, bank savings, major purchases (cars, boats and the like), recreation and charity.

Several key issues should be considered when figuring first round expenditures of college staff, faculty and students. Some of these people reside in a county only because of the college and would leave if it did not exist. Their absence would result in a loss of expenditures in both the public and private sectors. Others would continue to live in the county even if the community college were not present. Their expenditures, however, would display a trend similar to that resulting from unemployment. A third segment of the population are those from other counties and states attracted to the college's host county simply by the presence of the college. Their expenditures in the county would be lost if the college were not present. Such mobility should be accounted for in an economic impact study.

The first-round expenditures in the private sector represent only a portion of the total impact of a college. Monies spent by the college (much of it salaries) and by the faculty, staff and students flow through the economy of the county, creating more employment, secondary demand for goods and services, and payment of more taxes by related businesses and their employees. Such impact is best determined indirectly through the use of a regional income multiplier to generate final impact from estimates of initial impact. Called the "multiplier effect," this phenomenon is similar to a concentric circle with dollars generated in the center having more and more impact as they are redistributed outward. So, when Broome Community College did its study recently, staff determined from economists who analyze the phenomenon that there was an annual multiplier effect of almost two to one in Broome County; that is, $1.00 of initial spending by any individual or institution led to $1.90 in impact over a year's time. Thus, this information was applied to the college members' spending.

So, although we rightly emphasize the impact of community colleges on their local communities in terms other than dollars and cents, in these days of accountability it is useful to investigate and monitor economic impact as well. Taxpayers and their legislative representatives at all levels are seeking evidence to justify the investment made in the community colleges (and all other government-supported institutions). It is not enough to state simply that the education and training the colleges provide will enhance the earning potential of their graduates; that these graduate will then pay more taxes and consume more (or better) goods and services; that the communities of New York and the State as a whole stand to gain from having a more educated citizenry; that the colleges provide enormous manpower resources, technological benefits and cultural advantages. Though these benefits are most significant and will translate into measurable economic gains sooner or later, we must make the effort to focus our attention on the short-term fiscal impact of the colleges on the communities that sponsor and surround them.

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